

# THE CITY OF WICHITA



OFFICE OF THE CITY MANAGER  
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November 15, 1989

The Honorable Mayor and  
Members of the City Council  
City of Wichita  
Wichita, Kansas

Dear Mayor and Council Members:

The operating and capital budgets represent the major financial policy decisions by the City Council each year. The impact on the community in terms of public services and capital project construction is a key element in the quality of life and economic vitality of the community. To accommodate the need for sound financial planning during the transition period in state-wide property reappraisal, the City sought to project its financing needs over two years (1989 and 1990). This budget is the second year of that period.

In preparing the budget, staff sought to use as a base the two-year budget approved for 1989-1990 which maintains stability in public services within a program of tax constraint. Each of the basic services being provided by the City was carefully examined to ensure maximum efficiency and economy. The adopted budget maintains 1989 service levels into 1990 with **no property tax levy increase**.

The City Council has the task of balancing community needs for services against the City's ability to finance these services. During its deliberations on the budget, the City Council used the opportunity to determine whether the budget would meet the needs of the citizens and the challenges facing the community.

## MAJOR BUDGET ISSUES

All elements of the annual budget are important. Considerable detail on every budget item is contained in this adopted budget and supporting materials. Certain key issues, however, are highlighted here as the most important of those addressed by the Council:

- ° Reappraisal -- will result in an approximately \$2.3 million annual, recurring loss in Motor Vehicle Tax revenues in 1991.
- ° Employee Wage/Benefit Improvements -- achieving the City's goal of a fair and competitive wage/benefit package were determined through negotiations with employee groups.
- ° Downtown Redevelopment -- project requests total more than \$20 million. The 1990-1999 Capital Improvement Program identifies funding which includes additional (hotel/motel) tax revenue to fund the cultural/recreational component of downtown revitalization.
- ° Gas Tax -- revenues will increase by \$2.5 million in 1990 as a result of passage of the new State highway bill providing the City with an opportunity to improve roadway maintenance.
- ° Fund Reserves -- of 7% are maintained in the 1990 tax-supported budget while providing \$2 million for one-time expenditures on capital outlay or non-recurring projects.
- ° Utility rate increases -- are pending in 1990: a previously approved 10% increase for the Sewer Utility and a yet to be determined increase for the Water Utility.

## **PROGRESS AND CHALLENGES FOR THE 1990'S**

The development of the annual budget is a time for assessment - - what has the City accomplished and what directions will we take in the future? It seems particularly appropriate to examine our progress as we start the last decade of this century. The City and entire community can point to much progress to this point in time. There are also many challenges ahead; issues which must be addressed to take Wichita beyond the Year 2000.

### **FINANCIAL INTEGRITY**

The public's trust in its government begins with financial stewardship. Long-term financial forecasting, a balanced budget, cash reserves to absorb cyclical variations in revenues without reductions in services, investor confidence in the City's bonds, and a stable mill levy are the benchmarks for measuring sound financial stewardship.

Progress in establishing the City on a sound financial footing is nowhere more evident than in the dramatic turnaround in General Fund cash reserves. From a low of \$1.8 million (2.9%) in 1986, cash reserves over and above operating requirements now stand at \$6.6 million (7%). To avoid a recurrence of budget shortfalls leading to service reductions and employee layoffs, the 1990 Budget continues to refine multi-year forecasting of the City's financial resources. For the first time, the budget document projects the financial impact of current budget decisions several years into the future (through 1994).

The proposed 1990 Budget is balanced in the fiscal (as well as legal) definition -- current year revenues equal or exceed same year expenditures, excluding one-time expenditures. This balanced budget is the direct consequence of reestablishing cash reserves, and separating those reserves from other revenues in considering funds available for ongoing operating costs. Previously, all cash balances were included in the revenue picture leading to a false sense of security.

The City's 1989/90 Budget was awarded the "Distinguished Budget Presentation Award" from the Government Finance Officers Association (GFOA) recognizing the budget document as an operations guide, financial plan, and communications medium. The City's financial reporting procedures have also achieved recognition with the award of the GFOA "Certificate of Achievement for Excellence" certifying the integrity of the City's financial reporting in accordance with governmental accounting standards.

Progress has also been made in budget administration. A new financial accounting system was acquired to better monitor and manage the City's financial operations. Major studies were initiated to identify areas where municipal services can be privatized; and whether impact or user fees should be levied to more equitably spread the cost of new services. Studies of the City's management structure in Police, Human Services, Finance, and Housing/Economic Development have resulted in cost savings and/or improved services. The development of more refined performance measures will provide elected officials and managers with better information about how effectively/efficiently services to the public are being delivered.

The City also is seeking an improved credit rating from AA to AAA (the highest rating); while no determination has been made by the bond rating agencies, the City's bond issues have already been recognized in the marketplace as the near equivalent of AAA through favorable price bids. The bottom line in progress to the taxpayer, of course, is the tax levy; the City is the only local taxing jurisdiction with a levy lower today than ten years ago.

Challenges in the fiscal arena for the future are many. Demands for increased public services can be expected in all areas of basic municipal services such as public safety and cultural/recreational amenities like parks, museums and recreational facilities. Capital improvement request for roads, drainage, water supply, public facilities, and downtown redevelopment will far exceed what can be funded within present taxing policies.

The declining financial role of the Federal government in social service programs may make cities the point of last resort for the assistance to low income and disadvantaged citizens. The "New Federalism" also continues to reduce Federal financial assistance while Federal regulations continue to increase the cost of providing local government services.

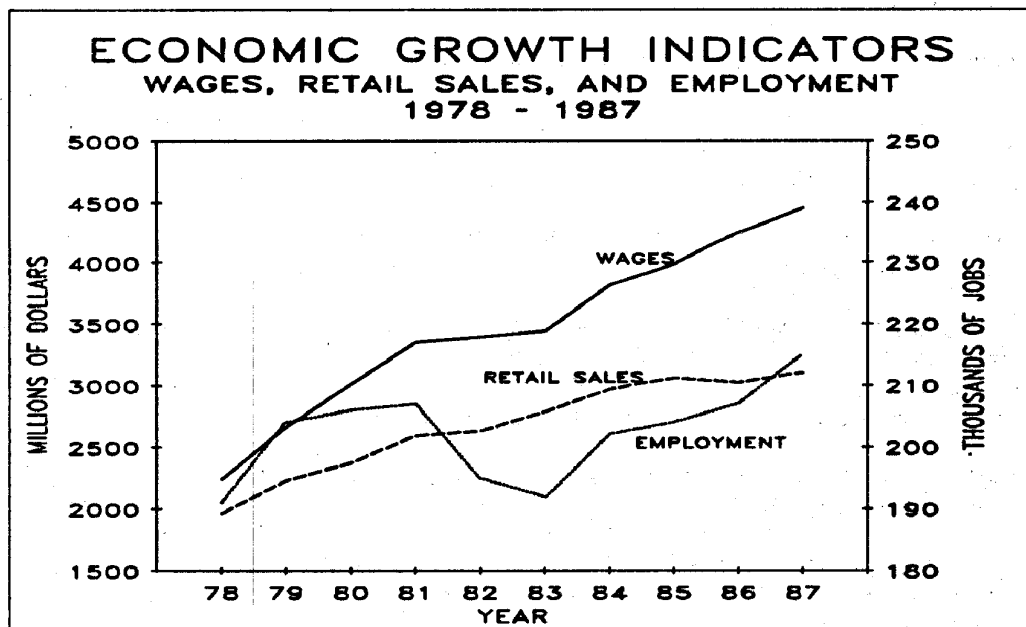
Immediate challenges include working to retain the full Motor Vehicle Tax revenues for 1991 and beyond; reappraisal was intended to be revenue "neutral" in its impact, but is effectively penalizing local governments at a time when public demand for new and improved public services is at an all time high. Loss of these funds will seriously undermine the City's ability to be responsive to downtown revitalization and other economic development issues. Another near-term issue is the growing volume of special assessments; the current rate of net delinquencies (5.8%) already places a burden on city-at-large financing sources which could quickly increase in an economic downturn. These issues make protection of the City's cash reserves an imperative in the coming years.

Challenges over a longer term are represented in the need for continued diversification of the City's revenue base to finance the growing community needs, and reduce the reliance on the property tax. The potential for increases in user fees and the Hotel/Motel Tax, or a new food/beverage tax, would permit additional resources to support the growing use of City facilities by visitors to our community. A Storm Drainage Utility may be the only feasible means to address even a substantial part of the large drainage problems in the City. Impact or other development fees would serve to offset the costs associated with expanding the infrastructure to accommodate new growth. A future increase in the property tax levy also may be required to fund pressing community needs. A Government Finance Research Center (GFRC) study shows Wichita well below the average of other large cities in the country and able to sustain some modest increase in ad valorem taxes without losing our "competitive edge."

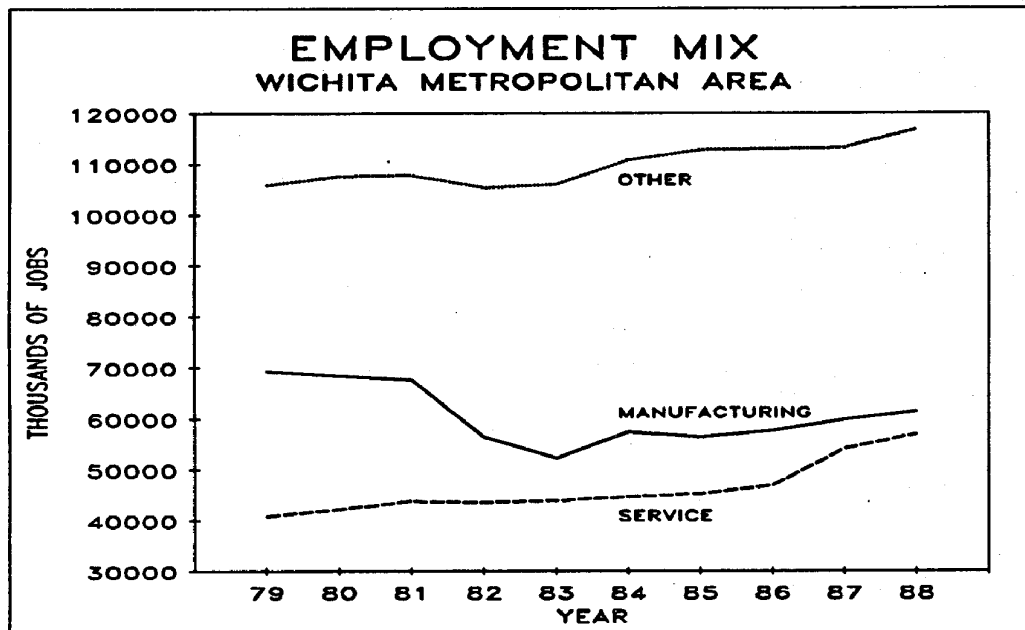
### ECONOMIC DEVELOPMENT

Progress in economic development is a regional, cooperative effort with other community groups to promote the economic future of Wichita, Sedgwick County, and Southcentral Kansas. The Wichita area begins the new initiatives in economic development with a strong base in quality of life and existing economic activity.

The chart below shows the trends in economic growth based on key indicators (wages, retail sales and employment). Wichita is currently enjoying a moderate level of economic growth.



In addition, the Wichita area has experienced a moderate resurgence of its manufacturing employment at a time when the national trend is downward. Wichita also has seen growth in the service sector of the economy as exemplified by the Sears Telecatalog, Pioneer Telemarketing and other service industries. The chart on the following page shows recent trends in growth of key sectors of employment.



In partnership with other public and private groups in 1987-88, the City established the WI/SE Partnership for Growth to develop the Blueprint 2000 Plan addressing downtown revitalization, the community's image, technology transfer, new transportation systems, a business/education compact, small business support, and other special programs to promote economic vitality. The City's commitment, in addition to Council and staff involvement, has taken the form of \$250,000 in direct monetary support to WI/SE, as well as support of its nine-point goals.

The City also assists in identifying financial and other resources (including job training) to retain existing and attract new industry to Wichita. An example of this effort is the incentive package which brought a Best Western regional reservations center to the City. An important element in economic development is a focus on providing greater job training opportunities (through the federally-funded Job Training Partnership Act) for those persons who need to learn new skills in a changing workplace.

The Council also adopted a Tax Exemption Policy to grant property tax exemptions to businesses whose expansion or new facilities generate new jobs or inject new money into the Wichita economy.

Substantial progress has been made in acquiring land on the east bank of the Arkansas River in downtown. This has strategically positioned the City for promotion of new development efforts in the vicinity of the Century II/Expo Hall complex. The 1989 Capital Improvement Program includes funding for opportunity land acquisitions in conjunction with economic development projects.

**Challenges** in maintaining and improving the economic climate of Wichita extend from retention of our existing businesses and jobs to attraction of new business/industry. Specific City efforts will include: use of Job Training Partnership Act (JTPA) funds to target training needs of existing and new business; continued pursuit of improved means to support business development through a Development Assistance Center to expedite the regulatory aspects of business expansion; and continued close cooperation and coordination with WI/SE.

A particular challenge facing the City is downtown redevelopment. The Downtown Action Corporation and other groups have come forward with worthy projects for new and revitalized development of the City's core area for business activity, convention and tourism, and cultural/recreational opportunities. The cumulative cost of these projects could exceed \$20 million. A city's image of economic strength is many times measured by the vitality of its downtown.

## **QUALITY OF LIFE**

Closely aligned with the efforts in economic development is the "quality of life" that Wichitans seek to enjoy in clean neighborhoods, attractive landscaping, cultural and recreational facilities, and opportunities for all citizens to enjoy a quality standard of living. The WI/SE Blueprint 2000 report targeted quality of life as a critical element in attracting new business to the Wichita area.

Progress in enhancing the quality of life in Wichita has been dramatic. Botanica represents the newest addition to the many City-operated cultural/recreational facilities and has received increased funding support in the 1989 and 1990 Budgets. The 1990 Budget provides increases in both the Art Museum and Library over and above normal operating expense to expand services to the public. The City is also continuing its support for Cowtown, Indian Center, Riverside Zoo, and general park maintenance.

Sports recreation is on the upswing with a \$5 million renovation of Lawrence-Dumont Stadium entering its second phase before the end of 1989; a third phase is scheduled for 1990. This stadium renovation has permitted the City to retain both the National Baseball Congress (NBC) tournament, and the professional baseball team, Wichita Wranglers. The City also worked with WI/SE and the County to provide financial guarantees ensuring the Wichita Wings would continue professional indoor soccer. From the spectator to the participant, the Park budget includes new funds for various youth sports/recreational programs.

The City's concern for its environment is also evident in the 1989 and 1990 Budgets. City-wide cleanup programs continue with convenient trash disposal sites and free dumping at the landfill on specific days of the year. The Neighborhood Improvement Program has proven to be very popular and was expanded to cover more residential areas. Assisting efforts in neighborhood revitalization are grant and loan programs (low income and historic preservation) which provide economic incentives for property owners to maintain housing. In addition, the Environmental Court was established to focus attention on eliminating blighted conditions and nuisances.

Enhancing our aesthetic environment is also receiving considerable attention. A Design Review Team, in conjunction with local public utilities and other groups, was established to provide guidelines for beautification efforts on public projects. A "public art" program is seeking to combine public and private interests in special projects for sculptures, murals, graphics, and other forms of art within the public spaces in the City. Increased funding in Public Works will provide for a landscape architect position, and fund a three person "Landscape Right-of-Way" clean-up crew to establish and maintain more scenic roadways and expand landscape and beautification efforts in the community. The Capital Improvement Program provides additional funding for landscaping and beautification of specific new projects (e.g., Kellogg).

Local tax funding of human services will provide some modest capacity to assist with emergency shelter, elderly assistance, medical care, food assistance, child care, and job training in areas where other assistance is not available. Summer youth employment and recreational programs have received a special emphasis to provide greater opportunities for the community's young citizens. Selected MTA bus routes will be expanded to provide citizens who rely on public transit greater flexibility in traveling in the community.

Challenges in improving our quality of life are many. Increased environmental management concerns related to the landfill operations have resulted in the planned creation of a new Waste Management Trust Fund to address environmental impact, groundwater, disposal alternatives and other environmental issues. The goal is to build a fund balance of at least \$750,000 by the end of 1990.

To continue to progress, the City's cultural/recreational facilities will require physical expansion. The Art Museum, Botanica, Cowtown, Lawrence-Dumont Stadium will require additional resources if they are to enhance the quality of life envisioned to attract more business, residents, and visitors to the Wichita area.

One of the greatest potential challenges facing Wichita and other cities is in the area of human and social services. A caring community strives to provide for all citizens a minimum standard of living and opportunity. The retreat of the Federal government in providing funding for many affordable housing, job training, and other social service programs is creating an ever widening gap between need and available services. It would require a large local tax commitment to fill this void which has not been a traditional City government responsibility in the past.

The 1990 Budget also continues funding to expedite updating of the City's Comprehensive Plan. An updated plan is essential for the community to assess and balance land uses, forecast population and employment trends, and project infrastructure/facility needs.

## **INFRASTRUCTURE**

Infrastructure is the City's critically important physical framework provided by the system of streets, sewers, water and other facilities in supporting every aspect of the business, residential and entertainment life of the community. The more than \$1 billion value of these assets is only a small measure of its importance in supporting every aspect of the community's activities.

Progress in expanding and maintaining the infrastructure can be reported on many fronts. The City completed plans for improvements to Kellogg (US 54) and construction of Northeast Expressway (K-96). Actual construction is expected to begin before the end of 1989 on the Northeast Expressway with work on portions of west Kellogg to follow late next year. With the passage of the new State Highway program, the City is working closely with State officials to target substantial State funding participation in both roadways.

A new Pavement Management System can measure accurately, for the first time, the condition of the street system, aiding in establishing priorities for the limited maintenance funds available. This system is also assisting in identifying which roads should be scheduled on a priority basis for reconstruction in the Capital Improvement Program. The new State Highway program also included an increase in Gas Tax revenues to the City which will permit a significantly expanded street maintenance effort.

Plans for a new computerized traffic signal control system are nearing completion. Installation will begin in 1990 (in the Central Business District) with future phases adding selected arterial intersections. The new system will synchronize signals to enhance safety and convenience in traveling throughout the City.

Beginning in 1989, the budget includes additional tax support of \$1 million dedicated to a Capital Investment Maintenance Program to expand preventative maintenance efforts on an ongoing basis. The major portion of 1989 funds will be used for street maintenance. The 1990 program emphasizes public facilities.

Expansion of the City's wastewater system is proceeding in 1989 and 1990 with a major upgrade of the Secondary Wastewater Treatment Plant to meet new "Clean Water Act" requirements. The City has also initiated steps to identify alternatives to reduce the odor problems at the treatment plants.

Challenges for the future are present not only in new infrastructure construction, but in maintenance as well. Topping the list of immediate challenges is to (finally) proceed with substantive construction on both Kellogg and the Northeast Expressway. The funds available from the local sales tax are not sufficient for these projects; substantial assistance from both State and Federal funds is crucial.

Maintenance of a maturing infrastructure is also an major challenge. Existing roads and facilities may require substantial effort to maintain in the future. A major issue on the horizon is asbestos abatement. Both Century II and the Main Library were constructed when extensive use of asbestos was common; estimates to remove asbestos from both facilities to meet current standards may be in excess of \$23 million. While these facilities are safe for use now, costs will likely be very substantial as the City is faced with the need for remodeling in the future.

A City-wide drainage study has identified potential drainage needs in the community of more than \$180 million. The task now will be to address critical storm water drainage problems. A complete solution to drainage needs of this magnitude will require an alternative funding source.

The City completed a study of railroad trackage locations, especially in the center city, with a goal of removing or relocating tracks to maintain important rail service while improving land use or minimizing motor vehicle transportation inconveniences, especially in the downtown area. If implementation of this plan is to proceed, there will be significant costs to reroute rail service.

Efforts continue to work cooperatively to develop a state-wide water plan, as well as local initiatives to identify alternatives for the City's long-range water supply needs. The prospect of a water shortage is not

too far away. If recent water consumption trends continue, the City may need a new water supply very soon into the next century, as well as expanded capacity for water treatment. The City has established a Water Supply Trust Fund using the charges for excess water usage. This fund will build a resource to pay a portion of the cost of a new water supply, as well as fund water conservation efforts.

## **PUBLIC SAFETY**

Public safety is the single largest element of the City's tax-supported budget. Nothing is more basic to the public's expectations of City government than Police, Fire, and Emergency Communications. It is also a public service area where extensive cooperation/coordination among the City and other area public safety agencies has improved services in emergency response, training, jail facilities, and investigations.

Progress in providing quality public safety services can be measured in several areas. Changes in operations in Police have put more officers on the street in patrol services. The completion of an eastside Police station also will permit officers to increase their time on the street by minimizing travel time to and from a central command point at City Hall.

Several new fire stations have been constructed in the last several years through a Fire Station Location Plan which ensures the minimum response time on fire and medical emergencies. A new fire station in west Wichita will be opened in 1990 and include the addition of 17 more firefighters.

No less important than police and fire personnel who respond to emergency situations are the dispatchers. Increased public protection in Emergency Communications has come from the addition of five dispatchers in 1989/90, as well as the installation of a Computer-Aided-Dispatch system.

Challenges are also present in public safety. Most notably is the need to replace the basic communication system used by dispatchers and field public safety personnel. The current system has been in use more than 20 years; it is not only outdated technology, but is experiencing increasing maintenance problems. New (800 MHz) technology will permit greater communications between dispatch and field and among field-based personnel.

A recently completed study of Police operations has made approximately 150 recommendations to improve police services to the public. Some of the major recommendations in the study would require significant increases in funds.

An operational study of the fire service will be undertaken in 1990; similar to the operations study in Police in 1988/89, this study will focus on identifying ways and means to improve fire protection in the community.

## **HUMAN RESOURCES**

The City's employees are an important "human resource" in carrying out the wide array of public programs, projects and services. Also deserving of recognition are the hundreds of volunteers who provide direct support to the community in service on boards/commissions, or in assisting the daily operations of many public facilities (museums, libraries, parks, etc.).

Progress in support of the City's human resources is evident in providing "tools" for safety and efficiency, opportunities for professional/personal growth/development, and recognition in the form of salaries/benefits. Over the last several years, the City has expanded its focus on providing employees with a safe workplace and tools. The budget includes funds for equipment replacement with priority given to replacing potentially unsafe equipment.

New technology tools are being provided in every department through computer systems which permit employees to do a better job at lower costs, but also increase job satisfaction. These new systems also have improved the ability of staff to better monitor operational and financial trends, and to provide the Council more and better information to support decision-making.

Employee Development/Training is a high priority. Since 1986, the commitment has expanded to include an increase in training staff with a substantially larger budget to undertake training programs impacting all

levels of employees. For the coming year, the budget includes a further increase in funds for training. The City also established two employee committees on special issues facing minorities and women in the workplace. These two committees have made numerous recommendations, most of which were approved for implementation or are under detailed review.

The City regularly reviews employee compensation, as well, to ensure that wages and benefits are fair and competitive. Negotiations are nearly completed with the employee groups concerning compensation improvements for the coming year.

Challenges in human resources may be the most profound. Projections are that the future workforce will be smaller, more diverse, and may not have all the required skills/training. Competition for quality employees will be keen. Employers like the City will have to redirect their emphasis in areas which will make City employment more attractive in order to compete.

One area which deserves attention in the coming years is the fringe benefit package. The City has initiated a study of the prospects for "flexible benefits" to offer employees more choices in structuring benefits to match personal lifestyles; continued review/analysis of this proposal is necessary.

Another area of challenge in human resources is to find ways to assist employees with personal limitations to overcome constraints. For example, as a fairly large employer, the City no doubt has some employees with some degree of literacy problem. A program to assist them in overcoming functional illiteracy would make them a more motivated, productive and valuable employee, as well as improve their personal self-confidence. It is in these areas that employers like the City may have to take a more active, non-traditional role.

## **1990 ANNUAL BUDGET**

The 1990 Budget totals \$250,171,894, compared to the revised 1989 Budget of \$247,275,316, exclusive of sales tax expenditures for capital improvements, internal services and interfund transfers. The differences are primarily the result of increases in personal services, debt service, increased reserves, street maintenance, enterprise (Airport, Sewer and Water) construction, and other capital spending.

The mill levy required to finance the 1990 Budget program is equivalent to the same mill levy as 1989, assuming reappraisal had not occurred.

General Fund (including the former PLAM Fund) operating expenditures in 1990 of \$96,192,732 which finance basic City services, reflect an increase of \$4,537,951, over the current 1989 Budget. Much of this increase is attributable to personnel costs, new program/service enhancements, increased costs for existing program/service levels, and appropriated reserves.

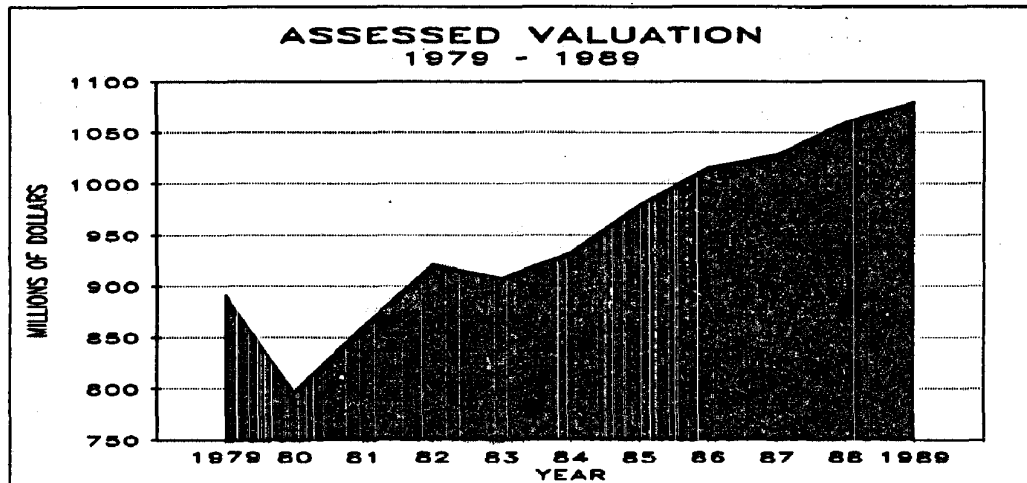
The budget is balanced -- operating expenditures are within operating revenues and total expenditure proposals are equal to available resources.

### **1989 MILL LEVY**

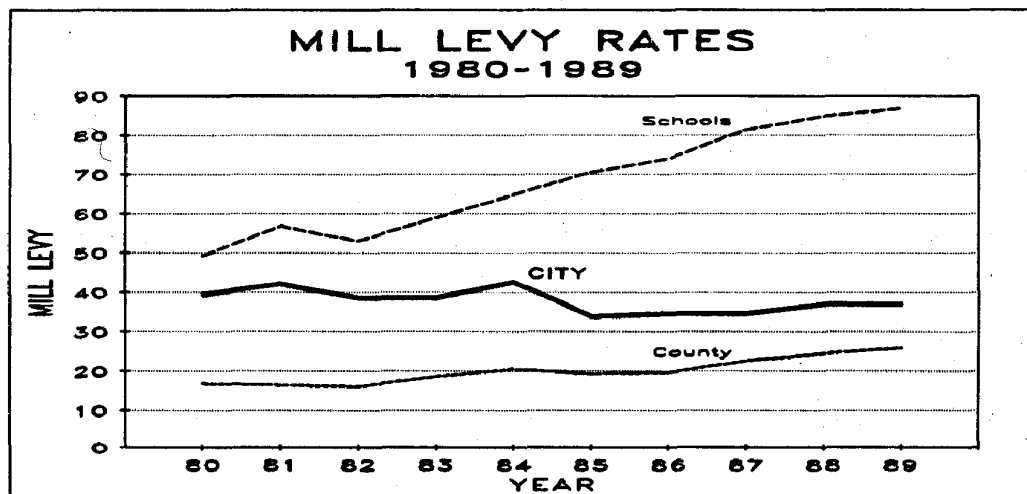
The preliminary assessed valuation (the measure of property values for taxation purposes) of \$1,080,050,000 reflected a growth of 1.7% (\$18,056,760) in the addition of new property on the tax rolls in the past year. These estimates do not include the impact of reappraisal which increased the aggregate assessed valuation to \$1,424,612,690 and reduced the mill levy from 37.303 mills to 28.015 mills.

Final assessed values are not set by the County until September of each year -- after budget development is completed. The actual levy changed to reflect the new value as a result of reappraisal. The amount of taxes levied by the City for the 1990 Budget, however, are the same as those levied for 1989, excluding new improvements and annexed areas.

A historical 5% delinquency rate is projected; however, there is some concern that the delinquency rate may be higher due to the adverse impact of reappraisal on some property owners and the large number of expected appeals, requiring an increase in the General Fund reserve levels.



The property tax levy is divided among three primary taxing jurisdictions: City, Schools, and County (plus small 1.5 mill levies for the State building fund and Wichita State University endowment fund). For every dollar in property taxes paid, approximately 23 cents goes to support the many City services. In examining a multi-year trend, City government is the only local taxing jurisdiction with a property tax levy that is lower than ten years ago. The 1989 mill levy is 37.3 mills compared with 39.5 mills in 1980.

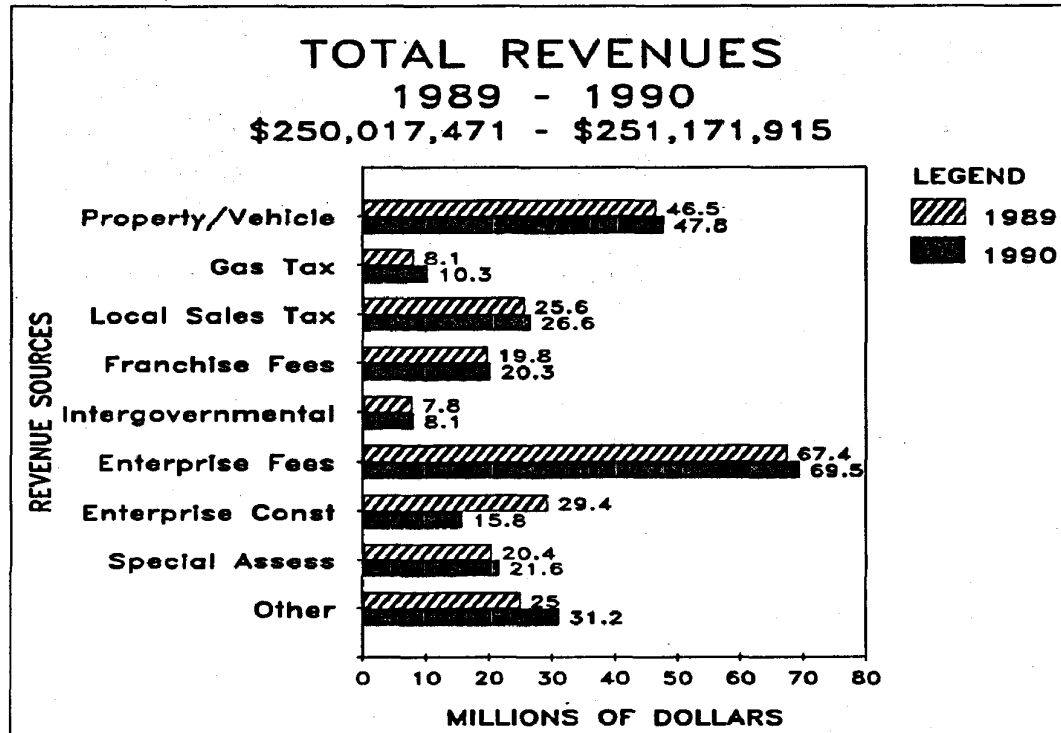


Over the last three years, the City's program of fund consolidation has reduced the number of taxing funds from twelve (12) to two (2). For the 1990 Budget, the Park/Library/Art Museum (PLAM) fund has been consolidated with the General Fund. The adopted levy (adjusted for reappraisal) is allocated as follows:

<u>City Tax Levy Funds</u>			
<u>Fund</u>	<u>1989</u>	<u>1990</u>	
		<u>Old Values</u>	<u>New Values</u>
General Fund	16.013	24.827	18.645
Park/Library/Art Museum	8.814	--	--
General Debt & Interest	12.476	12.476	9.370
<b>Total Tax Levy (mills)</b>	<b><u>37.303</u></b>	<b><u>37.303</u></b>	<b><u>28.015</u></b>

## **BUDGET REVENUES/EXPENDITURES**

**REVENUES:** The 1990 financing sources of \$251,171,915, compared to 1989 sources of \$250,017,471, are derived from the following sources.



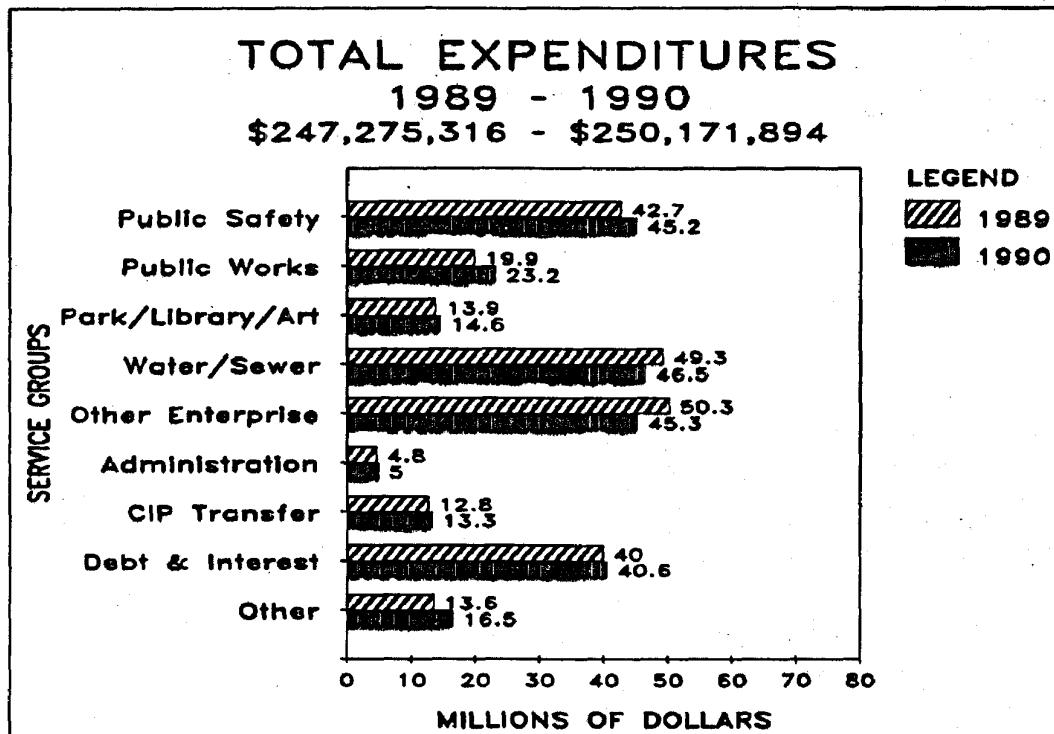
The 1990 Budget continues to identify additional revenue sources to maintain existing services and to help offset demands on property taxes. Included in the budget are increased user fees/charges to more equitably place the burden of paying for the service on those using and benefiting from it. Some of the increases included in 1989 are: Planning/Development Fees, maintenance and lease agreements, Police records/reports and other special services.

In addition to user fees, other increases include the implementation of the ten (10) percent adjustment in sewer rates previously approved by the Council to meet costs for the new Federally-mandated secondary sewage treatment plant; six (6) percent in landfill charges to meet increased environmental landfill requirements and monitoring activities; and the City 9-1-1 tax to pay for computerized dispatching. An increase in water rates (yet to be determined) will be necessary to reflect chemical and treatment cost increases and programmed improvement in the City's water distribution system.

As the City continues to grow and experience greater demands for services, the stress on City finances will increase. The City has made and will continue to make every effort to reduce costs and strive to make services more efficient and responsive. Because of mandates and constraints placed on cities by statewide reappraisal, together with a continuing decrease in Federal shared taxes, the City can no longer provide more services than those currently provided for the same or less property tax.

To meet the many desires of adding to and improving our community facilities, and to make our community even more attractive, consideration is being given to increasing the City's guest (room) tax and/or implementing a food/beverage tax. Such sources could not only be used to enhance various community assets as the museums, libraries, Botanica and other cultural and entertainment features, but could also be used to help support a City-County Sports Authority or other activities that will make Wichita a quality city.

**EXPENDITURES:** The 1990 expenditure budget of \$250,171,894, compares to 1989 revised expenditures of \$247,275,316. The following chart summarizes 1990 expenditures by program categories.



**Personnel Costs:** 1990 Salaries/fringe benefits reflect an increase of \$5,608,671 in the budget. Staffing levels account for 35 percent of the total City operation and 57 percent of the General Fund budget.

The 1990 Budget provides for additional employee positions to staff new or expanded services/facilities in public safety (Police, Fire, Emergency Communications), maintenance (parks and rights-of-way), sewage treatment, inspection services, and cultural/recreational facilities (Art Museum, Botanica, and Riverside Zoo).

**Major Expenditures:** Increases in 1990 expenditures for new/expanded programs and services include the following:

Capital Investment Maintenance Program	\$1,018,100
New West Fire Station	507,450
Savings Incentive Program	500,000
Increased Street Maintenance	2,900,000
Land Assembly/Capital Expenditures	1,998,576
MTA Improvements	65,710
Library/Museum/Botanica/Park Enhancements	132,940

## GENERAL FUND

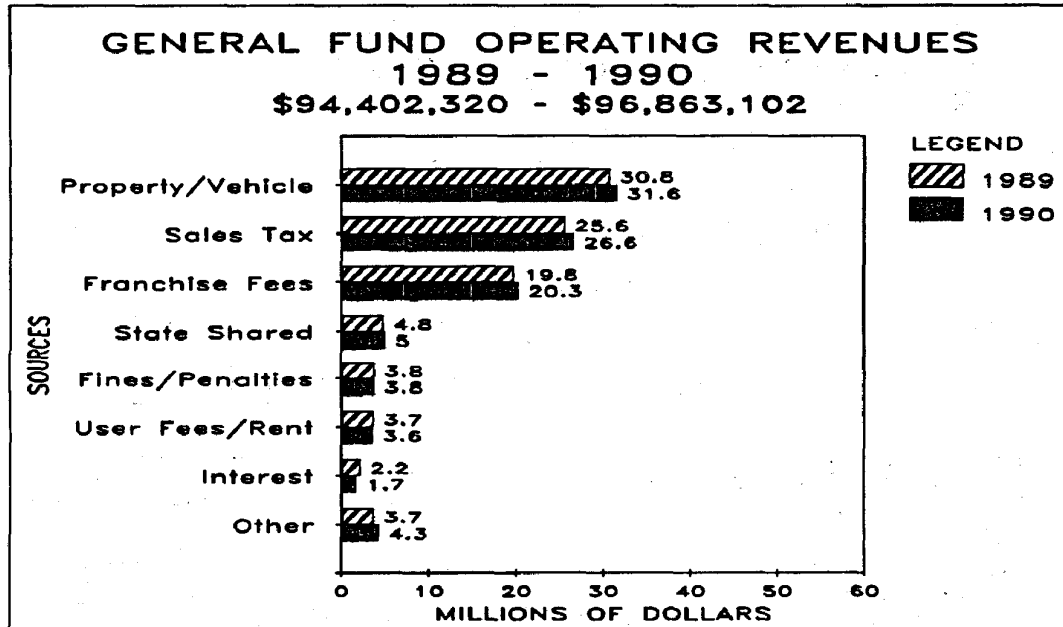
### 1989 REVISED BUDGET

The budget includes revised estimates of 1989 revenues and expenditures. This procedure of revising the budget is an important improvement in financial management, designed to provide a more realistic estimate of revenues and expenditures in the current year and to improve budget development for the next year. Revenues above and expenditures below budgeted projections increase the City's cash reserves for future years, or provide resources for one-time expenditures.

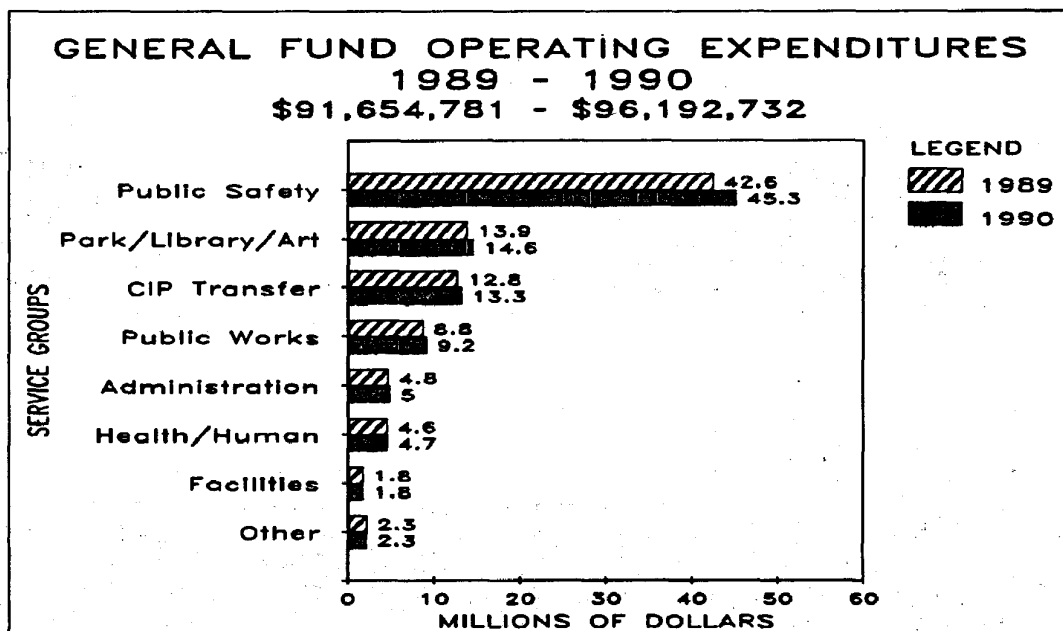
Increased General Fund resources are expected to result from the collections of local sales taxes (\$260,000), Motor Vehicle taxes (\$533,000), franchise fees (\$668,000), fines (\$414,000) and interest earnings (\$509,000). These additional revenues are the result of increased retail sales, increased consumption of utilities, new investment procedures and rising interest rates, increased traffic enforcement, and higher value of motor vehicles. An increase of \$851,424 was approved for land assembly and other capital expenditures.

### 1990 ADOPTED BUDGET

The total 1990 revenues for the General Fund are projected at \$96,863,102. This amount compares with the 1989 revised budget of \$94,402,320. A graphic summary of General Fund revenues is shown below. The property tax represents only 26% of total General Fund revenues.



A summary of the General Fund expenditures (by program category) follows:



The General Fund operating budget shows revenues exceeding expenditures both in 1989 and 1990. In addition to recurring operating expenditures, the budget appropriates certain non-recurring expenditures items totalling \$5,599,835. The "Appropriated Fund Reserve" is part of the City's 7% cash reserves: 5% is not appropriated, the amount shown below is the 2% which must be shown as an appropriation pursuant to State law.

The Capital Investment Maintenance Program is discussed in greater detail below. The funds for Land Assemblage/Capital Expenditures is a discretionary fund for one-time expenditures as determined by the Council. The Savings Incentive Program is intended to afford City departments with a source of seed money to make changes which will result in future cost savings more than offsetting the initial cost.

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Appropriated Fund Reserve	\$1,662,925
Capital Investment Maintenance Program	1,018,100
Land Assemblage/Capital Expenditures	1,998,576
Savings Incentive Program	500,000
Contingency	<u>420,234</u>
 TOTAL	 <u>\$5,599,835</u>

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#### **CAPITAL INVESTMENT MAINTENANCE PROGRAM**

The City maintains assets of approximately 1,520 miles of streets, alleys, and bridges, and more than 120 buildings and parks. These assets have an estimated current replacement value of approximately \$1.4 billion. Proper and timely maintenance of these assets will increase their useful life, as well as the safety and convenience of the public.

The adopted 1989 and proposed 1990 Budget includes a special levy of \$1,018,100 dedicated to an expanded Capital Investment Maintenance Program. For 1989, the City Council approved a program for use of the Capital Investment Maintenance Program primarily directed to street maintenance (with limited funding for building maintenance).

A proposed 1990 program of expenditures is to be submitted at the first of 1990. It is likely that the focus in 1990 will be directed to major maintenance needs in public facilities, e.g., exterior maintenance of the Historic Museum (Old City Hall), whose limestone is severely deteriorating.

### **PROJECTED BUDGET FOR 1991**

#### **CASH RESERVES**

Throughout the budget development process, staff was cognizant of the need to project realistic cost estimates and revenue forecasts for future years to ensure financial stability and prevent operating deficits. The 1989 General Fund is projected to have a \$6.6 million ending cash balance, meeting the City's goal of an approximate 7% of revenues reserve. The importance of maintaining reserves is to properly manage adverse revenue changes during the year and to ensure an adequate carryover operating fund balance to avoid sharp increases in the City's mill levy in the future, or cut-back management practices.

#### **IMPACT OF REAPPRAISAL**

A major issue which impacted the preparation of the 1990 Budget, as well as the 1991 and future budgets, is state-wide property reappraisal. The 1985 Kansas Legislature approved a plan for state-wide property reappraisal. All counties in Kansas are required to have completed this reappraisal by January 1, 1989.

The voters of Kansas approved a State Constitution amendment in 1986, which provided for classification of property for property tax purposes. That classification permitted assessment of property as follows:

<u>Property Use</u>	<u>Assessment</u>
Residential & Vacant Lots	12% (fair market value)
Commercial/Industrial	30% (fair market value)
Motor Vehicles	30% (fair market value)
Machinery/Equipment	20% (fair market value)
Agricultural	30% (use value)

For taxation purposes, the implementation of both the property reappraisal and classification will occur with tax levies made in 1989 to fund the 1990 Budget. The State Legislature has also imposed a restriction on local governments (excluding school districts). "Aggregate" property tax revenues in the 1990 transition year, after reappraisal, cannot exceed those raised in the preceding (1989) year for funds subject to the current tax law (General and PLAM funds). The limitation does not apply to the City's General Debt and Interest Fund.

In the year following the reappraisal transition (1991 Budget), the City will experience a major revenue loss. The Motor Vehicle tax is computed on the basis of the county-wide average of real property tax mill levy rates for the preceding year. Because reappraisal substantially increased assessed valuations, mill levies dropped. The county-wide average mill levy declined proportionately and (because motor vehicles are, and will continue to be, assessed at 30% of fair market value) reduced the City's revenues from Motor Vehicle taxes by approximately \$2.3 million. This is the equivalent loss of 6% of the City's property tax revenue base.

### **CAPITAL IMPROVEMENT PROGRAM**

The Capital Improvement Program (CIP) Committee has completed assembling the upcoming 1990-1999 CIP for City Council review. The preparation of the capital budget followed established CIP guidelines adopted by the City Council in tax levy support (9.37 mills after reappraisal) and bond financing term (ten year, level principal and interest) for general obligation debt.

The CIP has undergone a major revision. Considerable effort was made to include a more comprehensive overview of capital needs in the community -- even those projects which cannot be funded within the time period for capital project planning. The time horizon of the CIP has also been extended from six to ten years for improved project planning.

The preliminary CIP program is projected to cost \$1,158,479,000. These numbers are subject to revision as the specific project schedules and financing projections come closer to realization.

The improvements and financial work plan for the ten-year period contemplate no increases over existing mill levy support. Property taxes account for approximately 11.6% of the ten-year program costs.

In addition to (mill levy supported) bonding, revenues to support this program will be principally derived from sales taxes, special assessments, utilities income, and Federal/State assistance.

The program assumes that annual contributions of \$4 million from local sales taxes will be allocated for arterial street improvements to enhance traffic flow throughout the City.

Additionally, alternative means for financing of certain capital projects categories is under study, e.g., a Storm Drainage Utility.

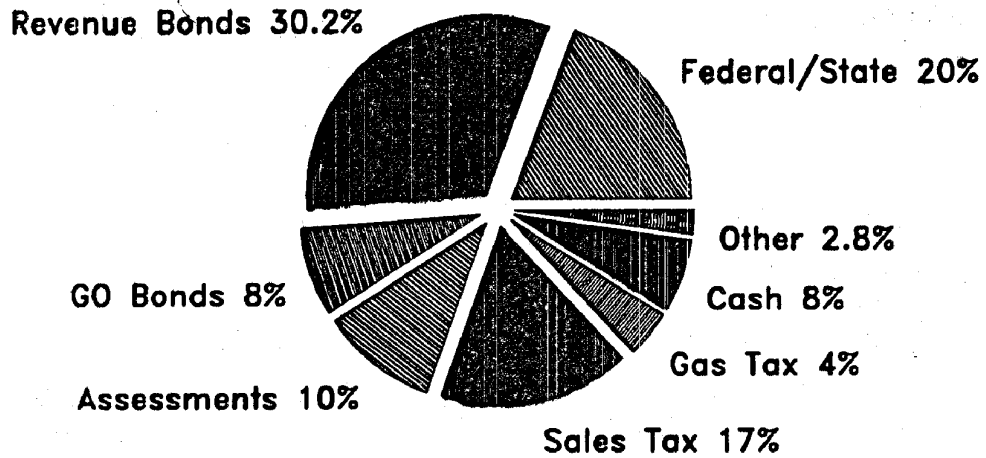
A contingency amount has been provided to stabilize the plan should any short-term variances occur in revenues or construction costs. The 1990 reserves in the General Debt service fund will be maintained at \$2 million, or 5% of the annual projected revenues.

The chart on the following page identifies the resources available for capital projects.

## CAPITAL IMPROVEMENT PROGRAM

1990 - 1999 REVENUES

\$1,159,526,000

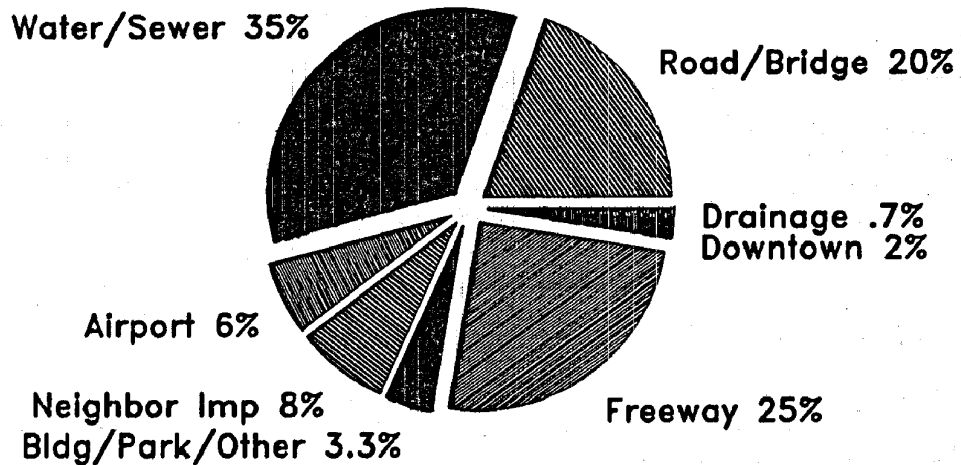


The chart below identifies the distribution of capital projects by expenditure categories.

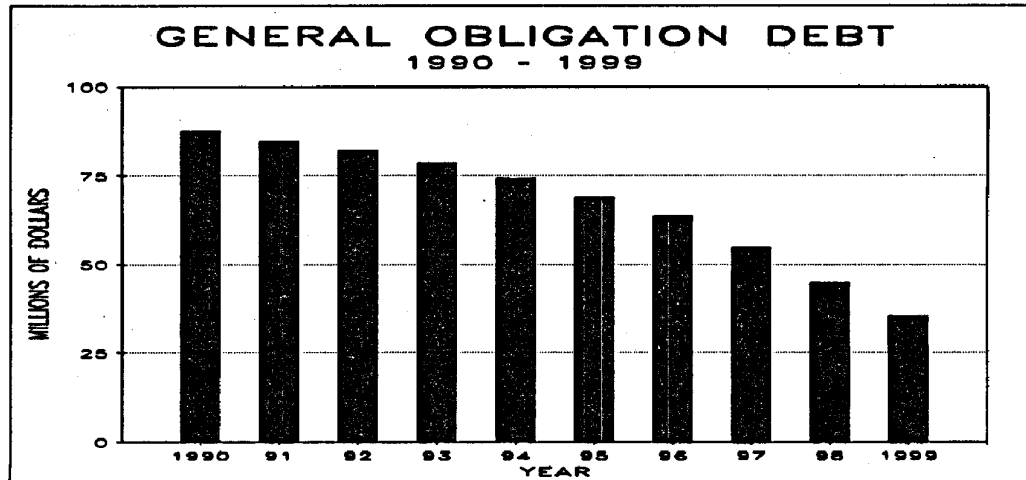
## CAPITAL IMPROVEMENT PROGRAM

1990 - 1999 EXPENDITURES

\$1,159,526,000



The general obligation debt outstanding and debt per capita, excluding special assessment and sewer bonds, is expected to decrease during the program years. This reduction is from a projected \$92.2 million indebtedness (\$314/capita) in 1990 to \$26.9 million (\$92/capita) in 1999. The chart below shows the projected level of bonded indebtedness for the ten year period from 1990 - 1999 (the chart includes the impact of new debt to be issued during the period). The CIP program provides for the option to eliminate the issuance of general obligation bonds for annually recurring capital projects beginning in 1998. At that time, the City could utilize savings in debt service to finance capital projects on a "pay-as-you-go" basis.



The CIP does project increases in some tax revenues. An increase in the 9-1-1 Tax is planned to fund a new communications system to support dispatch of public safety services (Police, Fire, Sheriff, Emergency Medical). A 1% increase (from the current 5% to a total 6%) will support renovation of Lawrence-Dumont Stadium, special convention promotions, and provide a \$1.3 million fund for enhancement of the City's cultural/recreation attractions (Art Museum, Botanica, Cowtown, Indian Center, etc.). The CIP also includes more than \$15 million over five years for public improvements to support community efforts for downtown revitalization.

More detailed information on the 1990 - 1999 Capital Improvements Program is available in the separate CIP document.

## BUDGET PROCESS

### BUDGET DEVELOPMENT

The preparation of the 1990 Budget was the product of a team approach. Again this year, a Budget Review Cabinet was used to work with budget staff to assist the Manager's Office in evaluating departmental requests and framing a budget within the established guidelines. The Cabinet, comprised of management representatives from various departments, reviewed each department submittal and made recommendations for the Revised 1989 and the 1990 Budgets.

A critical element of the budget development guidelines was the relationship of proposed expenditures to the City's Strategic Agenda.

This process was established not only to assist the Manager in the formulation of the budget, but to foster an even better understanding of the City's fiscal operation and cooperative relationships among the departments. It also provided a means to reduce possible duplication of services and equipment to realize increased economies and efficiency in municipal operations.

Following receipt of the Budget Review Cabinet's recommendations and comments from the public, the Manager and Finance staff reviewed all activity budgets and finalized the fiscal program that was recommended to the City Council.

## **BUDGET ADMINISTRATION AND PERFORMANCE REVIEW**

The adopted budget establishes appropriation and expenditure levels. The existence of a particular appropriation in the adopted budget, however, does not automatically mean funds will be expended. Because of the time span between preparing, adopting the annual budget and the end of the budget year, as well as rapidly changing economic factors, each expenditure will be reviewed prior to any disbursement to ensure maximum utilization of available funds. These expenditure review procedures will assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs.

As more constraints are placed on municipal operations, the need for an ongoing program of work load analysis and program evaluation becomes even more critical. Such analysis helps ensure the efficiency and responsiveness of City operations and identifies areas that should be improved. To implement a systematic plan for program review, City departments have identified quantitative measures of program performance and have begun to record ongoing data to monitor program performance against expectations. In this way, the City Council and management will have critical information in the future upon which to make important decisions about allocation of resources and the appropriate methods for service delivery to ensure cost effectiveness and efficiency.

## **BUDGET FORMAT**

The proposed Budget for 1990 continues the efforts to improve the budget presentation format. These format changes include:

- (1) Multi-Year Financial Planning: Complementing efforts to unify and simply the budget, this budget document reflects the first time a multi-year operating budget has been reviewed by the Council. The need for multi-year financial planning was outlined in the Strategic Agenda, and its importance is highlighted by the projections of adverse fiscal impact in the next several years due to property reappraisal.
- (2) Consolidation of Funds: Continuing efforts from the 1988 and 1989 Budget, further fund consolidation is reflected in combining the General and Park/Library/Art Museum funds. This consolidation emphasizes a goal of improved cost accounting (and cost recovery where appropriate) for each program.
- (3) Personal Services Savings: The budget was constructed with acknowledgment given to cost savings that may result from personnel (staffing) vacancies. Prior budgets included full personnel costs and assumed no vacant positions. Using the average annual employment turnover trends, the personal services costs (in the taxing funds) are budgeted at a 98.3 percent level in 1990.
- (4) Budget/Financial Report Reconciliation: The 1990 Budget has been developed so fund/account descriptions and amounts correspond to the Comprehensive Annual Financial Report. This format change will permit direct comparison of budget allocations and expenditures, consistent with governmental accounting standards.

## **TAX EXEMPTION/ABATEMENT IMPACTS**

For a number of years, the City's governing body has granted tax abatements to encourage economic growth and development. These abatements have been primarily granted with the issuance of Industrial Revenue Bonds (IRBs). In some cases, the City has required in-lieu-of tax payments to offset the loss of tax revenues from these bonded improvements.

The City has also approved several annexation agreements which restrict property tax collections for certain municipal purposes.

In 1986, the Kansas Constitution was amended to authorize local governments to grant property tax exemptions for certain economic development purposes (creation of new jobs, expansion of facilities, and acquisition of equipment/machinery). In consultation with WI/SE and the Economic Review Committee, a limit on annual tax exemptions was set at \$175,000.

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**Tax Exemptions/Abatements 1987-1989**

<u>Authority</u>	Actual	Authorized	Projected
	<u>1988</u>	<u>1989</u>	<u>1990</u>
Industrial Revenue Bonds	\$594,224	\$ 546,527	\$ 532,508
Wichita Industrial District	169,035	207,400	207,400
Koch Industrial District	104,715	99,690	99,690
Tax Exemption Policy	74,720	96,137	175,000
Total Exemptions/Abatements	<u>\$942,694</u>	<u>\$ 949,754</u>	<u>\$1,014,598</u>
Mill Levy Loss Equivalent	<u>0.95</u>	<u>0.95</u>	<u>1.00</u>

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Recent tax incentives for business expansion are an important part of economic development and, to date, directly contributed approximately 400, as well as indirectly contributing to other job creation in the community. The impact of the IRB and annexation abatements and exemptions on City tax revenues is estimated below. In 1989/1990, an additional 17 firms will be returned to the tax rolls with an assessed valuation of \$4,386,570 producing \$656,140 for all taxing units of Sedgwick County (based on existing assessed valuations and mill levies).

### **IMPROVING AND ECONOMIZING OPERATIONS**

The budget continues to focus on ways to reduce costs and do more with less. New and innovative management techniques must be developed and skillfully applied if the City is to continue to provide responsive municipal programs/services at a reasonable cost to the public.

Increased efficiency through modification in the organizational structure of City government, purchase of labor-saving equipment and implementation of new, and less costly methods to provide services are ways in which the City can substantially reduce or stabilize costs to keep City services within the desired budget limitations. A few of the areas proposed for study and/or implementation include:

- (1) Work with the Privatization Task Force to evaluate specific services for the most economical approach to service delivery, including contracting or privatization.
- (2) Expand efforts in grantsmanship by actively pursuing Federal/State assistance to improve and revitalize the downtown area, housing, streets, public safety, parks, and cultural programs.
- (3) Seek new partnerships with other units of government to reduce operational costs to the taxpayers.
- (4) Continue to explore the feasibility of transferring operation of various cultural facilities, such as Art Museum, Cowtown, Indian Center, Botanica, Omnisphere, etc., to private trust or nonprofit groups in order to enhance the attractions and relieve tax support.
- (5) Work with the consultants on the Police operations study (completed) and Fire operations study (planned) to identify more efficient means of service delivery in these two large departments.
- (6) Study the management and organization of Central Inspection to increase the efficiency and responsiveness of inspection services.
- (7) Continue use of "loaned executives" from business and education to provide managerial and technical assistance to assist in operational improvements and efficiencies.

- (8) Complete inventory and sale of all public-owned property that is no longer needed for public purposes. The goal of this program is to restore property for private use and increase the tax base.
- (9) Continue and expand use of performance measurement and service level indicators to allow for problem identification, resource allocation, improvement of service effectiveness and increased productivity.
- (10) Explore feasibility of automated parking citations and parking enforcement to reduce costs and improve detection of stolen vehicles and improperly registered or licensed vehicles.
- (11) Implement the space utilization study in City Hall to allow for more efficient use of space, improve efficiency and citizen convenience.
- (12) Develop employee incentive programs to encourage and reward employees for innovation and implementation of cost-saving measures in City programs and services.
- (13) Study feasibility of consolidating maintenance activities of the City, including park, streets, water and sewer, to determine if better utilization of workforce and lower costs could be achieved with a singular operating unit.

### **CONCLUSION**

When the budget process began, a number of budget goals and strategies were established to guide the formulation of the 1990 budget. Some of these included:

- Maintain and improve quality of essential services.
- Implement strategic agenda improvements.
- Evaluate revenue sources to support new services/projects.
- Increase efficiency/economy in City services/operations.
- Explore alternative delivery of public services.
- Examine organizational structures/staffing.
- Maintain and/or increase operating reserves.

The 1990 Budget addresses these goals/strategies and makes significant strides in bolstering the City's financial stability and addressing critical needs and essential services. Without additional resources, however, the City is unable to provide all of the needs, services and desires of departments that would significantly enhance the quality of community life. The budget presents a balanced program of services and makes a sincere effort to hold down operating costs while providing for quality programs and services important to the citizens of Wichita.

Respectfully submitted,

  
Chris Cherches  
City Manager

CC/t

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**Acknowledgements:** Formulating and preparing a budget document of this kind is the result of countless hours of work by many individuals. The Budget Review Cabinet did an outstanding job in evaluating budget requests. Department Heads (and their Staffs) worked diligently and are commended for their efforts. Special thanks and appreciation are extended to Ray Trail and the Finance Staff for their long hours and hard work: Director of Finance John Molr, and Barbara Ciboski, Kelly Carpenter, Rob Raine, Robert Lancaster, Shirley Murar, Nancy Scott, Cary Morris, and Nancy Brewer.

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